

INFORMATION REPORT

TO:	Chairs and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 18, 2017
SUBJECT/REPORT NO:	Dundas / Waterdown (Special Area Charge (SAC)) Flow Diversion Project Finance/Build Agreement Status Update (FCS17049) (Wards 13 and 15)
WARD(S) AFFECTED:	Wards 13 and 15
PREPARED BY:	Abe Chegou (905) 546-2424 Ext. 4047 Lindsay Gillies (905) 546-2424 Ext. 2790
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

Council Direction:

Not Applicable.

Information:

Executive Summary

- The City collects the Dundas / Waterdown Special Area Charge (SAC) under the Development Charges (DC) By-Law to fulfil the Dundas / Waterdown Flow Diversion Project agreement with Con-Drain Company (1983) Limited (ConDrain).
- The agreement with ConDrain is set to expire on October 31, 2017.
- The City will not meet the requirement, of having paid off more than 50% of the original balance plus interest, to be able to extend the agreement. The outstanding balance as of October 31, 2017 would need to be less than \$4.1M in order to meet this requirement.
- The outstanding balance as of February 28, 2017 is \$9,321,611.09. Collections remitted will reduce this amount and interest accumulated will increase this amount until the agreement end date of October 31, 2017.

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- The City will be paying out the outstanding balance at the end of the agreement term, October 31, 2017.
- The City will continue collecting the SAC until all funds are recovered from future development within the relevant boundaries.

Agreement Summary

The City of Hamilton (the “City”) and Con-Drain Company (1983) Limited (ConDrain) entered into an agreement in 2001 for the Dundas / Waterdown Flow Diversion Project Build where the City has to repay ConDrain for the services provided in Schedule F, attached as Appendix “A” to Report FCS17049.

At the commencement of the agreement the balance was \$8,179,669. These works deal with the “growth” aspects of the agreement and are being repaid to ConDrain by way of Special Area Charge (SAC) collections. The City remits, to ConDrain, all SACs collected within 60 days of each quarter. The agreement term was 15 years or until the full obligation is paid off, whichever comes first. Payments are based on the SAC collections that are imposed under the Development Charges (DC) By-law 14-153 in the urban areas of Dundas and Waterdown. Any SAC DC collections received are remitted to ConDrain quarterly.

As of February 28, 2017, the City had collected and remitted a total of \$5,797,576.86 to ConDrain. The remaining outstanding balance of the agreement owing to ConDrain including accumulated interest is \$9,321,611.09. The agreement is set to expire on October 31, 2017 and is subject to interest at 4%, compounded monthly for the balance of the agreement.

Extension of Agreement

The agreement can be extended from 15 years to 20 years provided that the City has paid at least 50% of the original outstanding balance owing including any unpaid accrued interest to ConDrain as of October 31, 2017. The City will not be able to meet the condition to extend the agreement as the outstanding balance at October 31, 2017 will not be less than 50% of the original outstanding balance of \$8,179,669. The amount owing has constantly been increasing due to interest exceeding the remitted collections. The actual numbers of residential and non-residential units built has been less than anticipated and, as a result, the City has collected and remitted fewer SACs to ConDrain than originally anticipated.

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Appendix “A” to Report FCS17049 – Schedule F outlines the fixed installation prices and financial division summary for the agreed upon services of approximately \$8.2 M in growth costs which represent 100% of the unsettled balance of the agreement.

Development of the Area

Appendix “B” to Report FCS17049 shows the borders of the area to which the Dundas / Waterdown SAC applies and will continue to apply.

The initial development estimate for the area was 6,100 single detached equivalent (SDE) units and 4.1 M square feet of potential non-residential development. As of December 31, 2016 there are approximately 2,800 SDEs anticipated and a potential 3.2 M square feet of non-residential development.

The units as of December 31, 2016 above have been adjusted for known subdivision revisions. The timing of development has been restricted by requirements arising out of Official Plan Amendment (OPA) 28 including the completion of watershed studies, water / wastewater masterplans, and secondary planning process (excluding the draft plan of subdivision for Upcountry Estates, now known as Mattamy - Waterdown) and also the reliance on major infrastructure such as the water tower and water booster. Considering the timing of development combined with revisions to subdivision plans since the 2014 DC Background study, the amount of the SAC is expected to increase per unit with the 2019 DC Background study. The actual impact will be assessed through the background study process.

Current Dundas / Waterdown SAC Rates Effective July 6, 2014

Type	Charge
Single Detached / Semi-detached	\$1,588 per residential unit
Townhouse / Other Multiple	\$1,147 per residential unit
Apartments (2+ Bedrooms)	\$970 per residential unit
Apartment (Bachelor / 1 Bedroom)	\$674 per residential unit
Residential Facility	\$515 per bedroom
Non-residential	\$1.09 per square foot

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Next Steps

- The liability with ConDrain will be settled as at October 31, 2017 from the funds in the Dundas / Waterdown SAC DC reserves (110210 and 110211).
- The settlement will push the SAC reserves into a deficit. As permitted by the DC Reserves Policy (FCS13035), the balances in other DC reserves can offset this deficit. Through the City's annual interest allocation, the deficit balance will incur a charge and the positive DC reserve balances will receive interest. This interest is expected to be less than the 4% currently being charged through the agreement.
- The Dundas / Waterdown SAC will continue to be collected on applicable units and included in the DC Background Study and By-law until the deficit balance is fully recovered.

Appendices and Schedules Attached

Appendix "A" – Dundas / Waterdown Flow Diversion Project Public / Private Finance / Build Agreement – Schedule "F"

Appendix "B" – Dundas / Waterdown Special Area Charge Map

AC/LG/dt

**DUNDAS/WATERDOWNFLOW DIVERSION PROJECT PUBLIC/PRIVATE
FINANCE/BUILD AGREEMENT
SCHEDULE F
FIXED INSTALLATION COSTS & FINANCIAL DIVISION SUMMARY**

Contract Price:	\$11,568,767.13
Plus Applicable Goods and Services Tax	<u>\$ 809,813.69</u>
Fixed Installation Costs:	\$12,378,580.82

The Fixed Installation Costs are comprised of the following Services components:

Equalization Tank:	\$7,290,663.00 (Plus Applicable G.S.T.)
All Sanitary Sewer Works	\$1,389,563.00 (Plus Applicable G.S.T.)
Diversion Forcemain	\$2,888,541.00 (Plus Applicable G.S.T.)

Financial Division Summary

Financial Summary - Dundas / Flamborough Wastewater Capacity Expansion Con-Drain Agreement				
Capital Cost - January 2001	Con - Drain Growth DC's		City 's Share Non-Growth	
Tank	7,290,663			
Sanitary Sewer	1,389,563			
Forcemain	2,888,541			
Total	11,568,767			
less:				
Inspection Fees	(195,000)			
Contingency	(200,000)			
Total	11,173,767			
Growth 2/3, Non-Growth City 1/3	7,449,550		3,724,217	
Inspection Fees - City / Contingency	195,000		200,000	
Con-Drain's Share	7,644,550		3,924,217	
GST 7%	535,119		274,695	
Total GrowthCost / Non-Gr. City	\$ 8,179,669		\$ 4,198,912	

1. Within 30 days after agreement signed, \$500,000 paid to Con-Drain.
2. Within 30 days of each approved progress certificate - minimum 50% of each draw (net of holdback).
3. Within 60 days, after issuance of Substantial completion Certificate - \$500,000.
Can delay this until Feb.28, 2002.
4. Total amount of payments to ConDrain (for #1,2,and 3) not to exceed 4,198,912 as per above table.
5. Within 60 days, after issuance by the City of the Substantial Completion Certificate and after each subsequent quarter City shall forward all development charge payments
6. 10th anniversary date of the FAC City may extend term from 15 to 20 years

